The Hill
July 27, 2005

CAFTA Furthers Kennedy's Vision for the Hemisphere
By Don Evans

On March 13, 1961, President Kennedy summoned the ambassadors from Latin America to the East Room of the White House to announce the "Alliance for Progress."

Calling to mind Simon Bolivar, Latin America's great liberator, and his vision that the Americas would someday become the greatest region in the world, Kennedy observed that "never in the long history of our hemisphere has this dream been nearer to fulfillment — and never has it been in greater danger."

President Kennedy's comment is as apt today as it was 44 years ago, and this week Congress has an opportunity to act toward fulfilling Bolivar's great vision of regional prosperity and opportunity by passing the Central America Free Trade Agreement (CAFTA).

Just as the North American Free Trade Agreement (NAFTA) has done for the United States, Canada and Mexico since its passage in 1993, CAFTA will promote growth, raise standards of living and further integrate the economies of the Western Hemisphere by eliminating or sharply reducing tariffs on trade between the United States and Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic.

As President Bush stated July 15, such hope and opportunity are needed now to help solidify Central America's heroic transformation from dictatorship and civil war to pro-market democracy. In other words, CAFTA is a matter of both economic and national security.

Just 25 years ago, military dictatorships in Latin America outnumbered elected governments by a 2-1 ratio. Today, with the exception of Cuba and Haiti, all Latin American governments hold competitive elections and have adopted meaningful market-oriented reforms. This stunning progress was hard-fought and came at tremendous sacrifice for millions of our Latin American neighbors.

Still, democracy in Central America remains fragile. The region is poorer, less educated and more lacking in infrastructure than Mexico was in 1993. In Nicaragua, an impeachment drive is threatening the government, with the socialist Sandinista party plotting a comeback. El Salvador and Honduras continue to struggle with violent gangs, which frighten off potential investors.

The Dominican Republic has only recently emerged from the effects of a major debt default stemming from the failure of an important bank. Guatemala continues to battle narco-traffickers, while in Costa Rica labor union opposition threatens further progress on trade.

These problems are real, and CAFTA alone is not a silver bullet. But expanded trade can and must be part of a longer-term solution. A quick review of the impact of NAFTA on Mexico's economy shows why.

Since implementation of the agreement in 1994, Mexico's exports to the United States have increased nearly 300 percent, to $156 billion. Indeed, exports now account for more than a third of Mexico's gross domestic product, up from the high teens a decade ago. Over the same period, U.S.

investment in Mexico grew by 240 percent while Mexico's investment in the United States increased by 280 percent.

CAFTA will also greatly benefit American producers, providing clear access to a market of 44 million consumers, creating the second largest U.S. export market in Latin America — larger than Russia, India and Indonesia combined.

CAFTA will instantly eliminate tariffs on 80 percent of U.S. manufactured goods, with the remaining tariffs phased out within a few years.

Such increased access has profound implications for the U.S. economy. More than 12 million American jobs, and a quarter of economic growth, currently depend on exports. In the 10 years after NAFTA's implementation, U.S.

exports to Canada increased 62 percent and exports to Mexico increased 106 percent, dramatically outpacing the 36 percent growth in exports to the rest of the world. Streamlined trade with Central America offers similar results.

By expanding trade and encouraging direct investment, CAFTA will import into the region American expertise and know-how, with major implications for future growth. For example, the agreement secures the right of U.S.

financial firms to participate in joint ventures or establish wholly owned subsidiaries, producing a galvanizing effect on the region's economic growth and further expanding demand for American products and services.

In linking passage of CAFTA to support for democracy in the region, President Bush rightly echoes President Kennedy's bold declaration of 44 years ago: "Our unfulfilled task is to demonstrate to the entire world that man's unsatisfied aspiration for economic progress and social justice can best be achieved by free men working within a framework of democratic institutions."

By passing CAFTA, Congress can take an important step toward making that noble aspiration a reality.

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